



ECONOMIC GROWTH

July 2006



Photo: USAID

For many struggling entrepreneurs, access to loans is an important lifeline that helps them grow their businesses and support their families. USAID works to improve access to financial services for micro, small, and medium-sized businesses.

GEORGIA SNAPSHOT

Date of independence: 1991
Capital: Tbilisi
Population: 4.5 million
Annual income per person:
\$1,040

For more information, see
<http://georgia.usaid.gov>

CURRENT SITUATION



Since it came to power in early 2004, the government of Georgia has achieved remarkable improvements in Georgia's economy. The government has reduced barriers to doing

business, increased tax collections, and reinvigorated the privatization process. While macroeconomic indicators are positive, significant challenges remain. Many people live below the poverty line (52.5%), with about a quarter of Georgians living in extreme poverty. The shadow economy is large and thriving (about 68% of GDP) and many people survive on subsistence agriculture.

The government has made efforts to improve the business climate, yet reforms in critical areas such as tax, customs, and licensing need to continue. Major sectors of employment such as agriculture are not ready to compete in export markets. Inefficient state-owned enterprises dominate rail transportation, ports, and other key sectors. It is difficult for businesses to get medium and long-term business loans, and low entrepreneurial business skills further limit business growth. USAID's economic growth program is helping to fill these gaps.

PROGRAM FOCUS

1. Improve the business environment;
2. Strengthen government institutions to implement fiscal reform, administer agriculture policy, implement economic and legal reforms, and reduce corruption;
3. Improve access to financial services for micro-small-and medium-sized enterprises;
4. Increase market driven production and sales in the agricultural sector; and
5. Expand economic opportunities in rural communities.

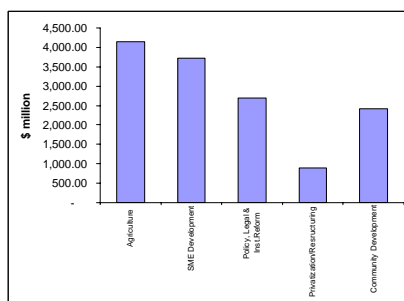
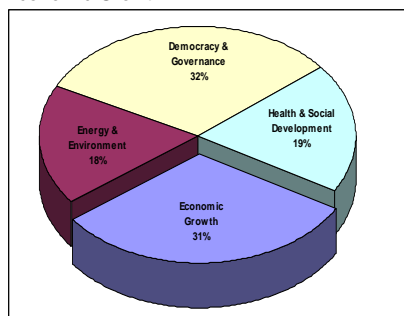


USAID
FROM THE AMERICAN PEOPLE

GEORGIA

ECONOMIC GROWTH CONTINUED

Percentage of USAID's 2006 budget spent on Economic Growth:



CONTACT INFORMATION

Mission Director
Robert Wilson
25 Antoneli Street
Tbilisi, 0105 GEORGIA
Tel: +995 32 92 28 44

Elizabeth Roen
Georgia Desk Officer
Tel: +1 202-712-1493

SUCCESSSES

- Comments and analysis of USAID advisors were instrumental in reforming the licensing and standards regime -- the law on licensing and permits, which cut from 909 to 159 the number of licensed activities, was enacted in July 2005.
- Through assistance to the National Agency for Public Registry, the time to register property fell by 75%, and the cost by 70%.
- In 2005, with USAID support, laws were enacted to protect parties in credit transactions, legalize micro-finance lending to micro-enterprises, and privatize state-owned agricultural land.
- To ensure impartiality and transparency of the privatization process and world wide access to information, USAID helped the Ministry of Economic Development develop a privatization website (www.privatization.ge). The website is the country's main source of distributing privatization information to local and foreign investors.
- USAID advisors helped the Ministry of Finance increase its tax revenues between 2004 and 2005 by 33%. The increased revenue reflects greater discipline within the ministry and has allowed the government to increase its budget.
- Georgia's first-ever credit information bureau was created, and microfinance and rural credit institutions saw steady growth in loan portfolios with almost \$20 million in loans outstanding. This represented a 46% increase in access to credit for micro-businesses.
- Policy assistance to the Ministry of Agriculture resulted in a simplified and more efficient ministry structure (the number of ministry-funded units was reduced from 36 to 17), and the development of the Food Safety and Quality Law, which was adopted by Parliament in December 2005.
- In 2005, USAID facilitated the production and export of quality agricultural products, generating almost \$7 million in sales.